

September 13, 2005

“A”

DCU Interpretive Letter: I-05-09

Dear “A”:

We received your request for an interpretive letter regarding your client, a Washington state-chartered credit union. Based on our follow-up conversations, my understanding of your question is whether a CUSO which provides card processing services to credit unions can form a wholly-owned subsidiary to provide card processing services to banks. The subsidiary will be formed from funds generated from the business activities of the CUSO and possibly from investments of non-credit-union co-service providers. No credit union funds will be directly invested in the CUSO subsidiary. It is expected that the CUSO and the subsidiary will each do roughly half of the total card processing business.

Under the Washington State Credit Union Act, the Department of Financial Institutions (DFI) is charged with protecting the financial interests of credit union members, and ensuring that credit unions remain viable and competitive. As part of that charge, DFI is required to periodically examine credit unions for their safety and soundness, including the safety and soundness of their investments. In some circumstances, this examination may include review of a credit union’s CUSOs, as well as their subsidiaries. Other than examination as a credit union investment, DFI would have no oversight of the subsidiary.

If you have any further questions, please contact me at (360) 902-8778.

Sincerely,

Linda K. Jekel  
Director of Credit Unions